



Health Care in California:

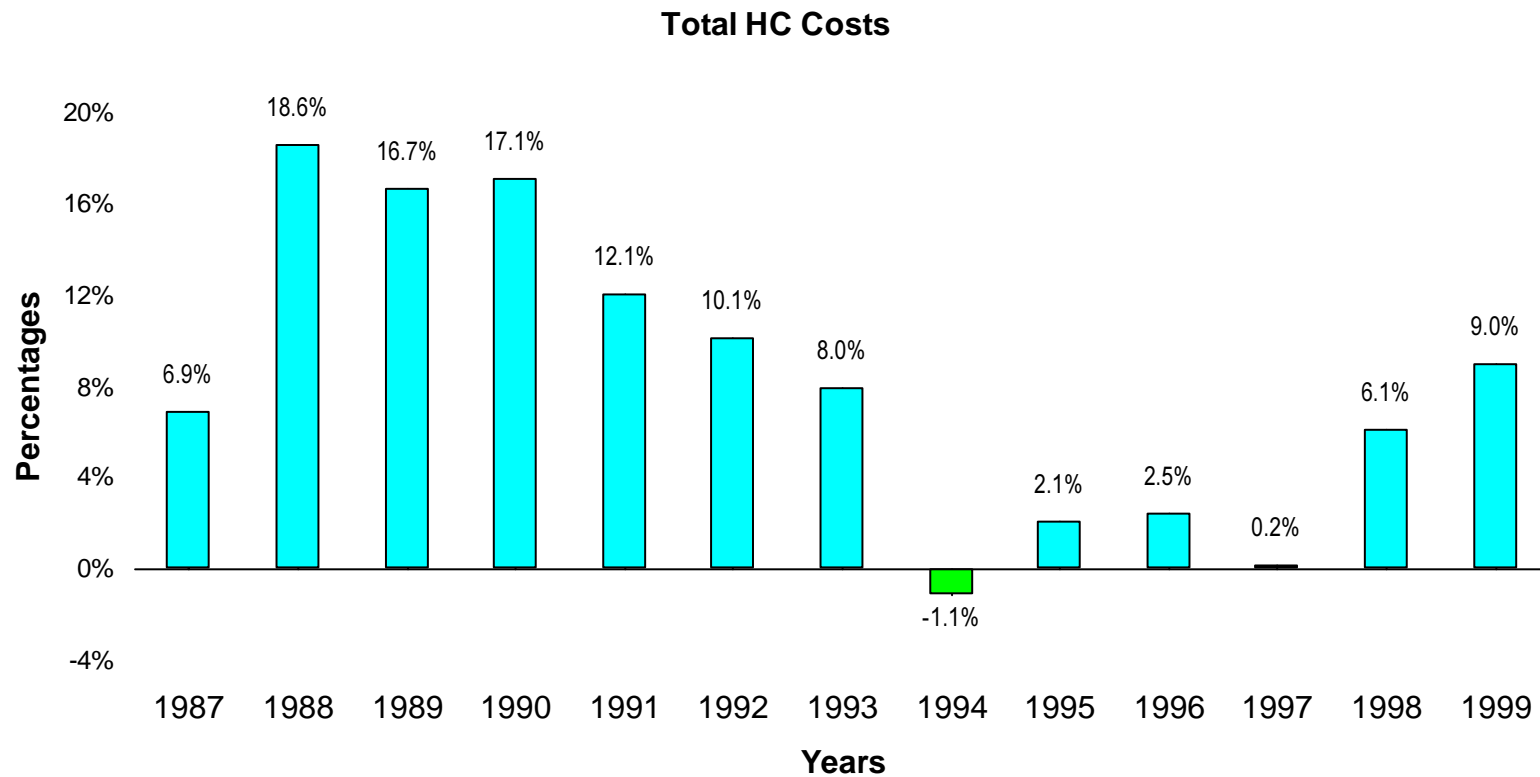
Trends, Issues, and Market Forces

April 6, 1999

Agenda

- What's Driving the Health Care Market in California?
- What's on the Horizon?
- What's the Impact on Consumers?
- How Can STRS Have an Influence?
- Conclusions

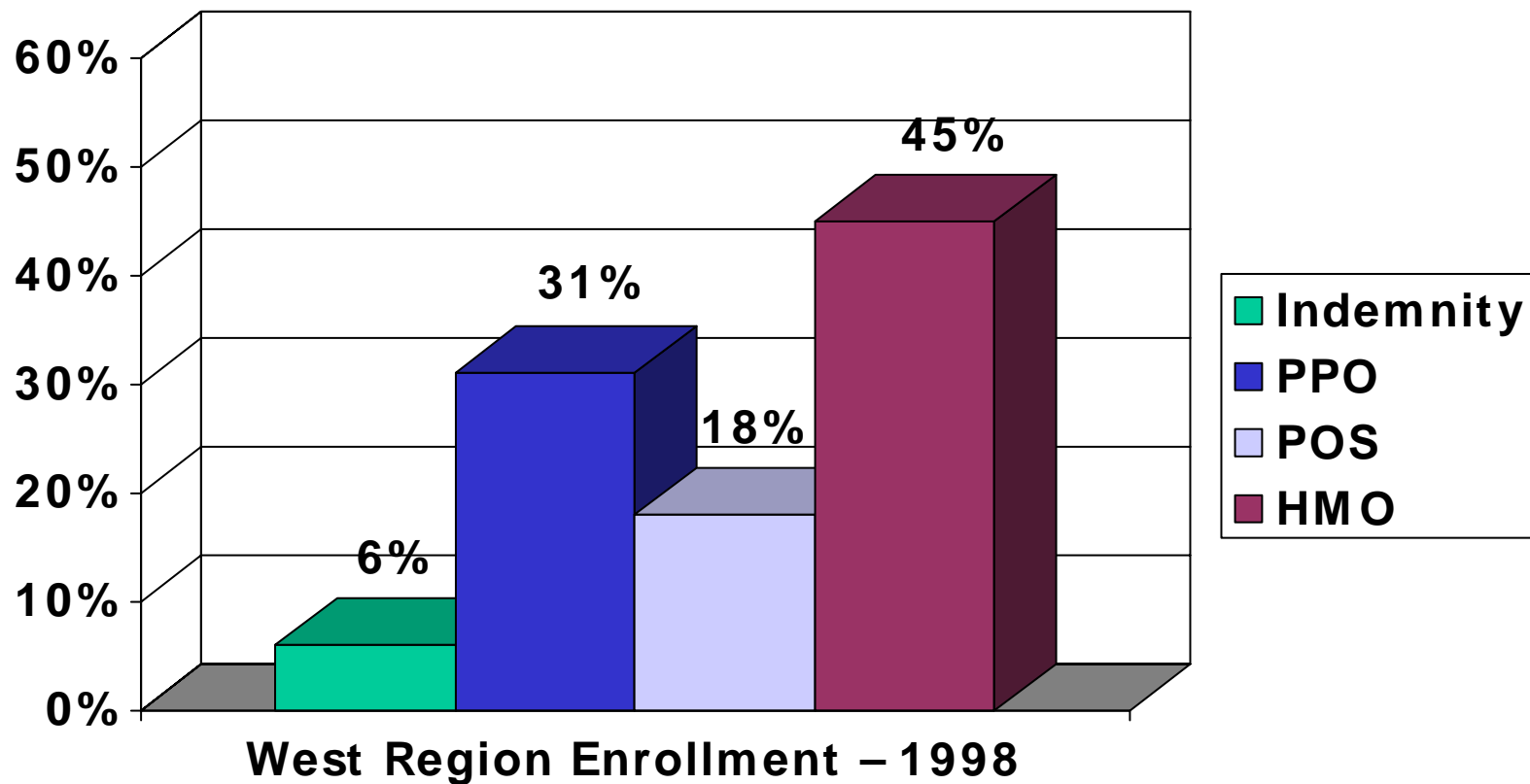
Changes in Health Care Costs – Extended to 1999



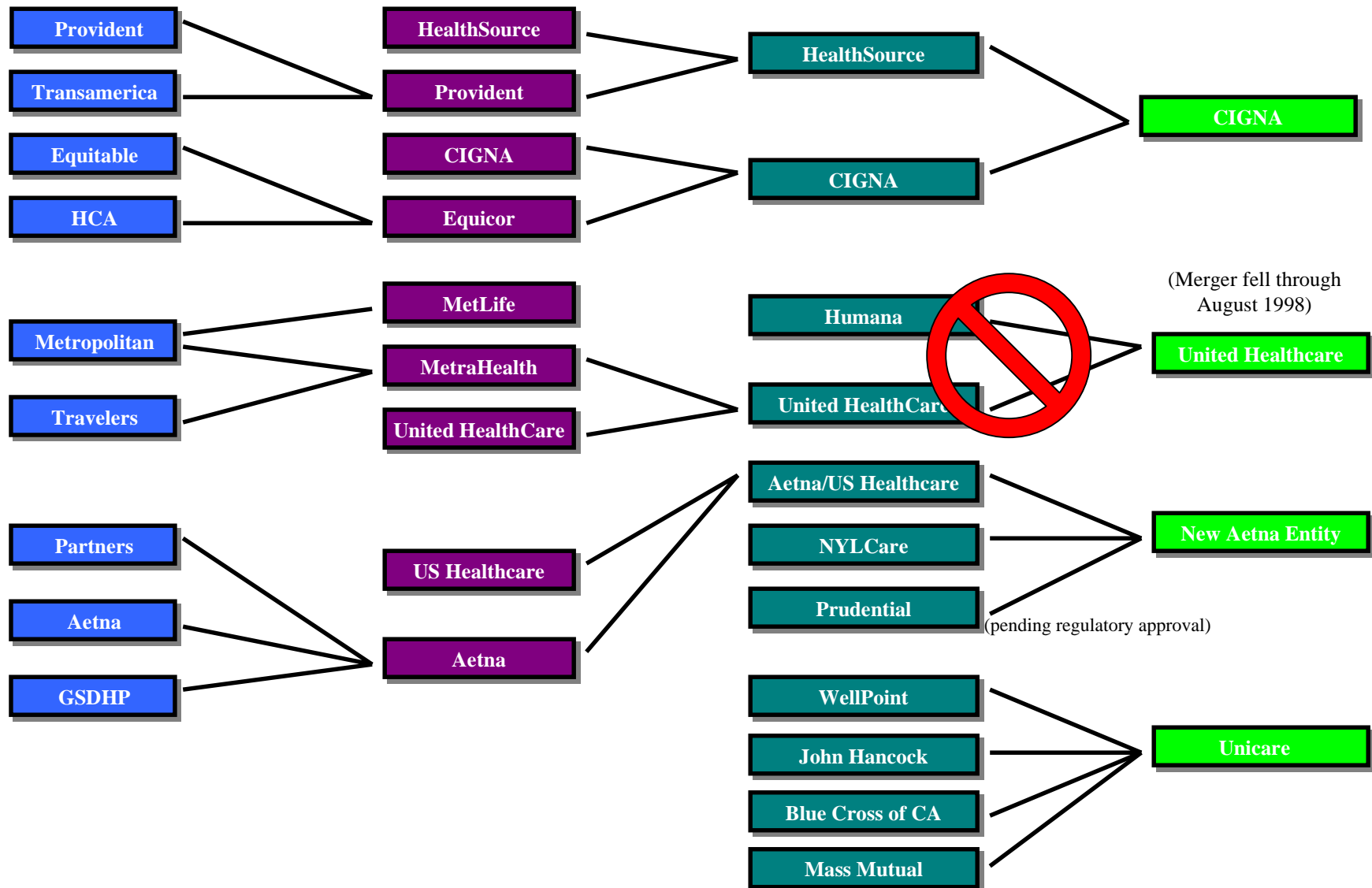
Change in total health benefit cost for actives and retirees

What's Driving the Market?

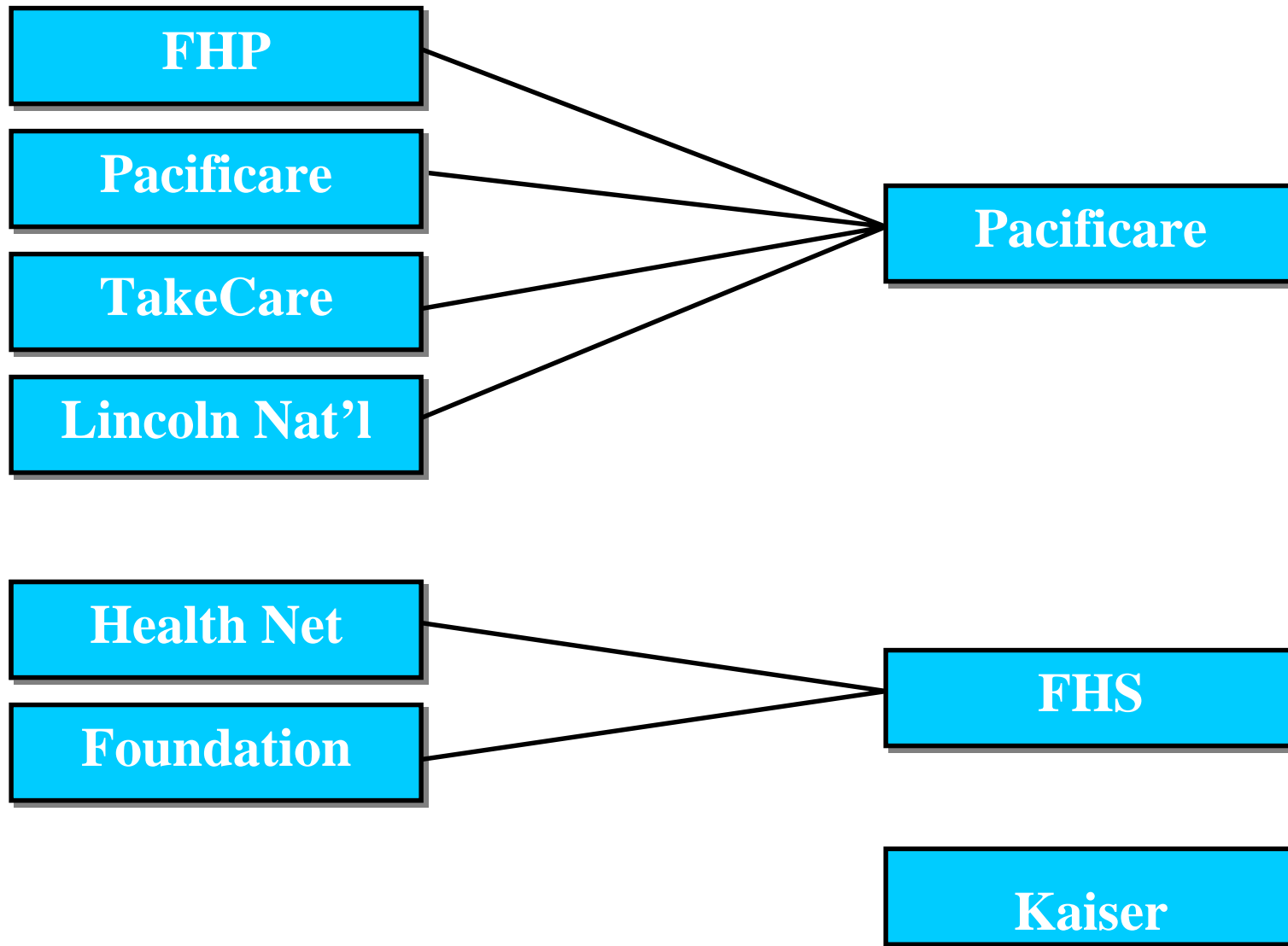
Shifts in Enrollment



What's Driving the Market? Vendor Consolidations



What's Driving the Market? Vendor Consolidations



What's Driving the Market?

Changes in Medicare

- The Balanced Budget Act and Medicare + Choice
 - Cost controls / cost shifting
 - Medicare HMOs leaving some markets
 - Expansion of choices for participants?
- Uncertain legislative future

What's Driving the Market?

Hospital and Physician Groups

■ Hospitals

- Consolidation
- Specialization
- Negotiating Leverage

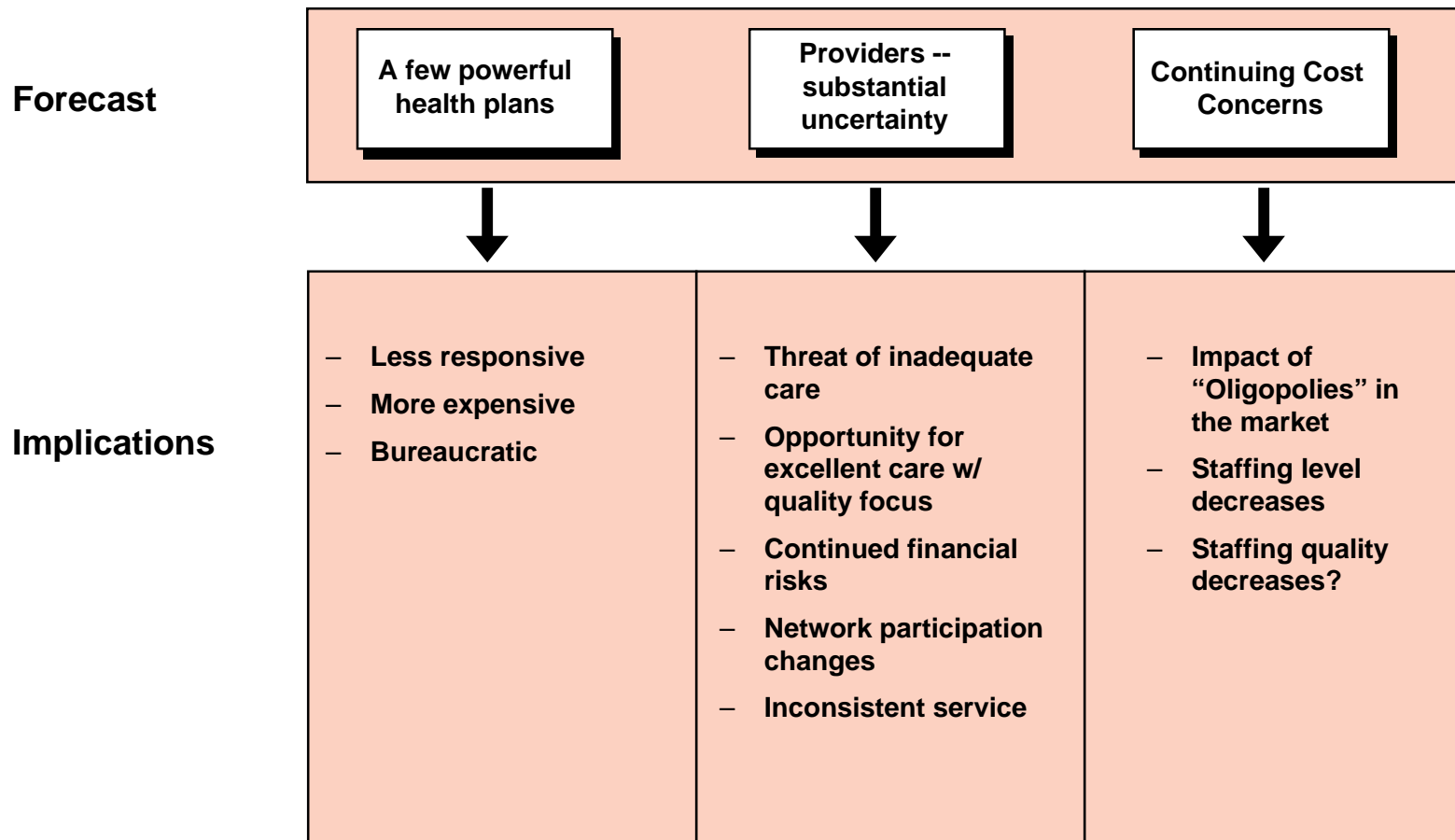
■ Physicians

- Consolidation
- Administrative Efficiency
- Negotiating Leverage

■ Financial Health Issues

■ Regulatory Oversight Cloudy

What's on the Horizon?



What's on the Horizon?

- Quality emphasis
 - Greater focus on quality treatment standards & outcomes
 - Increased access
 - Improved disclosure
 - Appeals & remedies
- Legislative impact
- Rejection of Managed Care?

Impact to Consumers

- Impersonal, unsatisfactory doctor-patient relationships
- Consumer frustration
- Provider frustration and network turmoil
- Continued cost shifting to the consumer
- More and more limits on available options
- Increased numbers of uninsured

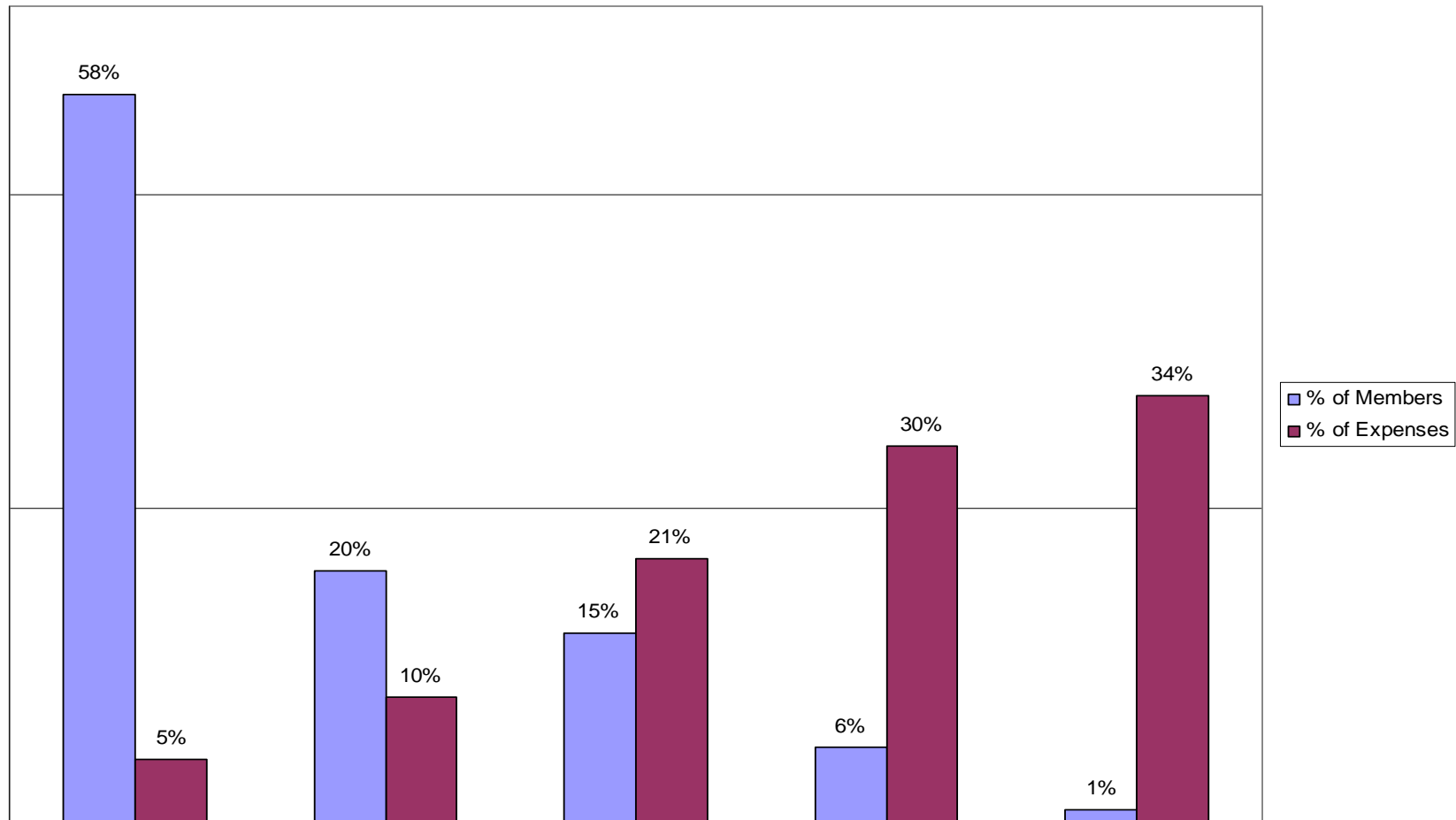
How Can STRS Have an Influence

- Cost
- Quality
- Access

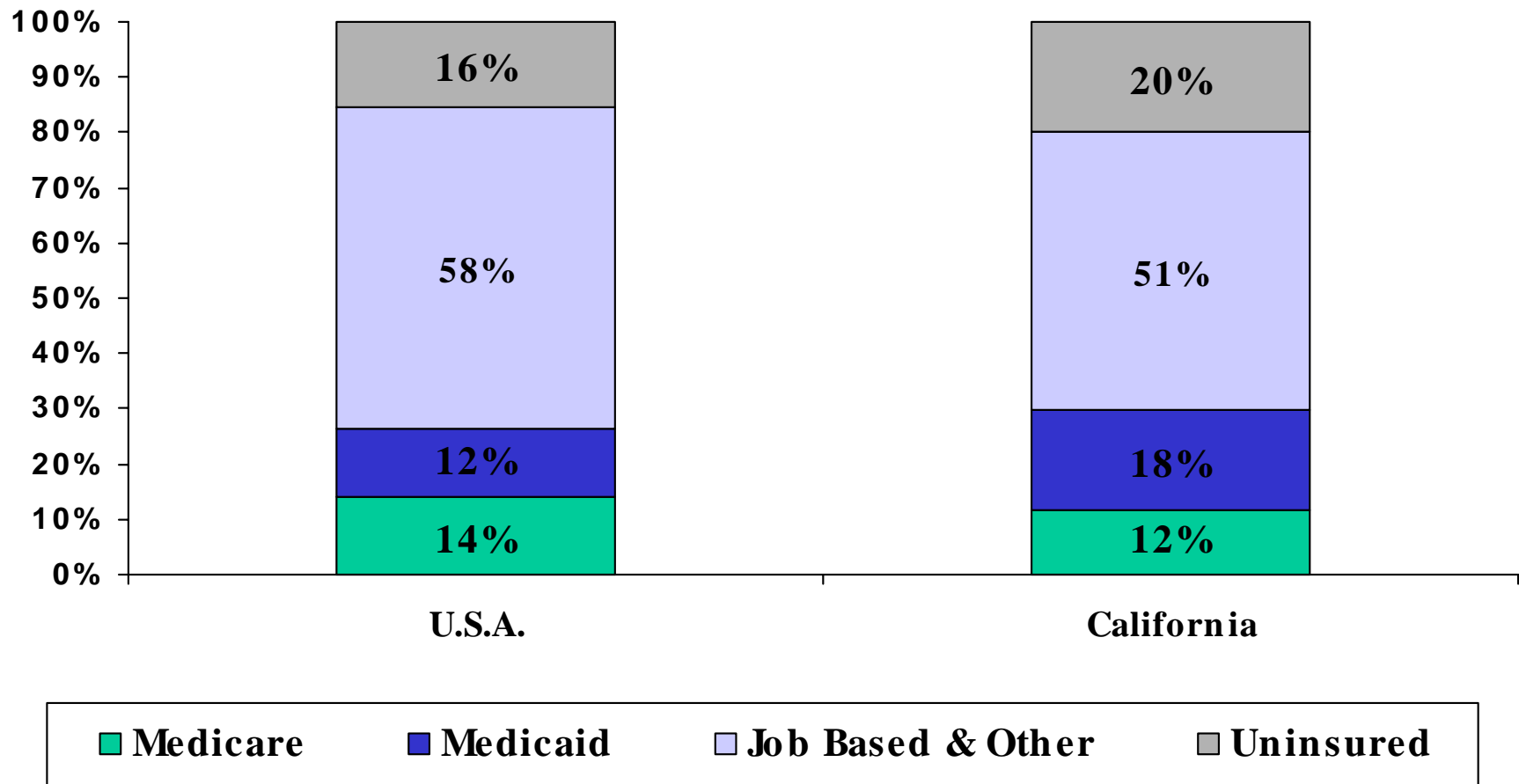
Where Each Premium Dollar Goes



Distribution of Claims Expense



Access to Health Insurance



Source: Kaiser family foundation -- Information as of 1995

Conclusion

- Dramatic market shifts
- Significant impact to consumers
- Opportunities through quality focus
- STRS can make a difference



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